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PUBLIC UTILITY COMMISSION  
FILING CLERK

**VIA ELECTRONIC SERVICE**

David Smeltzer  
Oversight and Enforcement  
Public Utility Commission of Texas  
1701 N. Congress Avenue, Room 8-100  
Austin, Texas 78701

Re: Project No. 51871; *Review of the ERCOT Scarcity Pricing Mechanism*;  
Comments of Texas Coalition for Affordable Power

Dear Public Utility Commission of Texas:

The Texas Coalition for Affordable Power (TCAP) files these comments in response to the Public Utility Commission of Texas' (Commission) Request for Comments on the Low System-Wide Offer Cap (Request)<sup>1</sup>. In accordance with the Request, these Initial Comments are timely filed.

TCAP is a political subdivision aggregator that arranges retail electric service for its member cities and other political subdivisions. The cities and political subdivisions that are members of TCAP incur significant expenses as electric customers in their own right, using electricity to provide basic public service such as water and sewer services, policing, and firefighting. For many cities, electric service is among the largest single expense items in their budgets. Cities are also concerned for the residents and businesses within their city limits, and so reliable, affordable power for a broad range of customers is important to them.

With these concerns in mind, TCAP presents the following responses to the Commission's Request:

**1. Should the Commission amend its rules to adjust the LCAP?**

Yes; see the response to Question 2, below.

**2. If the Commission amends its rules to adjust the LCAP, what specific adjustments should it make?**

Pursuant to 16 TAC § 25.505(g)(6), the LCAP only becomes relevant once the peaker net margin threshold stated in 16 TAC § 25.505(g)(6)(C) is met during a calendar year; in that instance, the system-wide offer cap is to be set at the LCAP

<sup>1</sup> [http://interchange.puc.texas.gov/Documents/51871\\_2\\_1115087.PDF](http://interchange.puc.texas.gov/Documents/51871_2_1115087.PDF)

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**Margaret Somereve**

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for the remainder of that calendar year. Under the Commission's rules, the LCAP is the greater of \$2,000 per MWh and \$2,000 per MW per hour, or 50 times the natural gas price index value determined by ERCOT, expressed in dollars per MWh and dollars per MW per hour. During the winter event of February, the Commission ordered that use of the LCAP be suspended, since 50 times the relevant natural gas price index would result in an LCAP that would be *higher* than the HCAP.

The February weather event demonstrates that, for the LCAP to function in the protective role for which it was originally intended, the LCAP formula should be modified. First, the multiplier of the relevant gas price index should be 15x, rather than 50x. This will produce a more reasonable and protective LCAP for consumers that is in greater conformity with the Commission's intent during periods of very high gas prices. Second, as a "fail-safe," the Commission's rule should be changed to state that the LCAP (computed using whatever multiplier the Commission may adopt) should never be higher than the HCAP.

**3.If the Commission amends its rules to adjust the LCAP, when should these adjustments take effect?**

TCAP urges that the changes it proposes be made and take effect as soon as possible.

Regards,

A handwritten signature in blue ink that reads "Margaret Somereve". The signature is fluid and cursive, with the first name and last name clearly legible.

Margaret Somereve, Executive Director  
TEXAS COALITION FOR AFFORDABLE POWER